

**UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF PUERTO RICO**

-----X	
In re:	:
	: PROMESA
The Financial Oversight and Management Board for	: Title III
Puerto Rico,	:
	: Case No. 17 BK 3283-LTS
as representative of	:
	: (Jointly Administered)
The Commonwealth of Puerto Rico, <i>et al.</i>	:
	:
Debtors. ¹	:

	-X
In re:	:
	:
	: PROMESA
The Financial Oversight and Management Board for	: Title III
Puerto Rico,	:
	:
	: Case No. 17 BK 4780-LTS
as representative of	:
	:
	: Court Filing Relates Only to PREPA
The Puerto Rico Electric Power Authority	: and Shall Only be Filed in Case
("PREPA"), <i>et al.</i>	: No. 17 BK 4780-LTS
	:
	:
Debtor.	: Ref. Docket No. 549

**STATEMENT OF SOLUS ALTERNATIVE ASSET MANAGEMENT LP IN RESPONSE
TO THE URGENT JOINT MOTION FOR POSTPETITION SECURED FINANCING**

Through its undersigned counsel, Solus Alternative Asset Management LP, on behalf of certain funds advised by it (“**Solus**”), files this statement (this “**Statement**”) in response to the *Urgent Joint Motion of the Financial Oversight and Management Board for Puerto Rico*

The Debtors in these Title III cases, along with each Debtor's respective Title III case number listed as a bankruptcy case number due to software limitations and the last four (4) digits of each Debtor's federal tax identification number, as applicable, are the (i) Commonwealth of Puerto Rico (Bankruptcy Case No. 17 BK 3283-LTS) (Last Four Digits of Federal Tax ID: 3481); (ii) Puerto Rico Sales Tax Financing Corporation ("COFINA") (Bankruptcy Case No. 17 BK 3284-LTS) (Last Four Digits of Federal Tax ID: 8474); (iii) Puerto Rico Highways and Transportation Authority ("HTA") (Bankruptcy Case No. 17 BK 3567-LTS) (Last Four Digits of Federal Tax ID: 3808); (iv) Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") (Bankruptcy Case No. 17 BK 3566-LTS) (Last Four Digits of Federal Tax ID: 9686); and (v) Puerto Rico Electric Power Authority ("PREPA") (Bankruptcy Case No. 17 BK 4780-LTS) (Last Four Digits of Federal Tax ID: 3747).

(the “**Oversight Board**”) and the Puerto Rico Fiscal Agency and Financial Advisory Authority (“**AAFAF**”) for Entry of Interim and Final Orders (A) Authorizing Postpetition Secured Financing, (B) Granting Priming Liens and Providing Superpriority Administrative Expense Claims, (C) Modifying the Automatic Stay, (D) Scheduling a Final Hearing, and (E) Granting Related Relief [Docket No. 549] (the “**DIP Motion**”).²

Solus supports approval of the DIP Facility (as defined below) on an interim basis, subject to certain modifications described below. Solus also agrees with the Oversight Board and AAFAF that any loans extended under the DIP Facility constitute Current Expenses under the Trust Agreement similar to PREPA’s other working capital expenses, including the Fuel Line Loans (as defined below).

STATEMENT

1. Solus is the largest unsecured creditor of the Puerto Rico Electric Power Authority (“**PREPA**”), holding approximately \$284 million in principal amount of unpaid fuel line loans (“**Fuel Line Loans**”) that were provided to PREPA under two separate working capital facilities (the “**Fuel Line Facilities**”). Solus is the sole lender under one of the Fuel Line Facilities and is also a lender under the other Fuel Line Facility for which Scotiabank de Puerto Rico (“**Scotiabank**”) acts as administrative agent. There is approximately \$700 million in principal amount of Fuel Line Loans currently outstanding under the Fuel Line Facilities.

2. The proceeds of the Fuel Line Loans were used by PREPA to purchase fuel and to pay for other working capital expenses that were necessary for PREPA to operate the system.

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the DIP Motion.

These Fuel Line Loans are Current Expenses³ under the Trust Agreement, as expressly acknowledged by PREPA in the Fuel Line Facilities and elsewhere.⁴

3. On January 27, 2018, PREPA by and through the Oversight Board and AAFAF filed the DIP Motion requesting, among other things, authorization for PREPA to obtain postpetition financing from the Commonwealth, as lender (the “**DIP Facility**”). The DIP Motion seeks priming liens on the Revenue and also seeks superpriority and Current Expense status for loans extended under the DIP Facility.

4. Based on PREPA’s publicly filed 13-week cash flow forecast, Solus recognizes that PREPA has an immediate liquidity need to meet its operating expenses because PREPA’s General Fund is projected to be negative by the week ending February 16, 2018.⁵ Until the CDL loans or other sources of funding become available, the DIP Facility appears to be the best (and only) option to pay for PREPA’s near-term operating expenses.

5. Nevertheless, Solus believes certain modifications to the DIP Facility are appropriate, including (i) limiting the amount of loans that can be borrowed on an interim basis to the amount that PREPA projects will be needed during this interim period (per the 13-week cash flow forecast); (ii) preserving PREPA’s setoff rights against amounts owed by the Commonwealth and its instrumentalities; and (iii) requiring notice and a hearing for any material amendments to the DIP Facility. These necessary modifications are described in further detail in the limited

³ “Current Expenses” are defined in the Trust Agreement to include PREPA’s “reasonable and necessary current expenses of maintaining, repairing and operating the System.” Trust Agreement at 15.

⁴ See, e.g., § 2.12 of the Solus Fuel Line Facility (“The Bank and Borrower acknowledge that all obligations hereunder...constitute Current Expenses under the Trust Agreement...”).

⁵ DIP Motion ¶ 19.

objection to the DIP Motion filed by Scotiabank as administrative agent under the Scotiabank Fuel Line Facility, which Solus hereby joins and incorporates by reference.

6. Subject to these modifications, Solus supports approval of the DIP Motion and PREPA's limited borrowing under the DIP Facility on an interim basis until the CDL or other more favorable sources of funding become available.⁶ Just as with the Fuel Line Facilities, the use of proceeds under the DIP Facility is limited to paying PREPA's necessary and ongoing operating expenses. The DIP Facility may only be used to pay for delineated categories of permitted operating expenses, which include "employee payroll and benefits... [purchase of] normal operational materials, supplies, fuel and power supplies, vendor and service payments (collectively, "**Eligible Uses**")..."⁷ Each category of Eligible Uses is also separately identified in the Initial 13-Week Budget which will govern PREPA's expenditures. Importantly, the DIP Facility has favorable interest rate and fees, will not be used to pay Title III costs, other than the Carve Out, and does not impose onerous case milestones.

7. Finally, because the DIP Facility proceeds (like the Fuel Line Facilities) will be used exclusively for working capital expenses, Solus agrees with PREPA, AAFAF and the Oversight Board that the loans extended under the DIP Facility are Current Expenses and should benefit from the priorities afforded all Current Expenses under the Trust Agreement, including the Fuel Line Loans.

8. Accordingly, Solus supports approval of the DIP Facility on an interim basis and entry of the Interim Financing Order, subject to the modifications described above.

⁶ The Commonwealth and its instrumentalities owe PREPA significant amounts for electricity usage. Those amounts should be paid before PREPA borrows more than the shortfall that is forecasted for the interim period.

⁷ DIP Motion ¶ 1 (Summary of Terms).

RESERVATIONS OF RIGHTS

9. Solus reserves all of its rights under PROMESA and any other applicable law, including the right to withdraw, supplement or modify this Statement and to file additional responses after the Credit Documents are filed and in advance of a final hearing.

Dated: February 1, 2018

Respectfully submitted,

s/ Jose L. Ramirez-Coll

Jose L. Ramirez-Coll
USDC-PR No. 221702
jramirez@amrclaw.com
ANTONETTI MONTALVO & RAMIREZ COLL
P.O. Box 13128
San Juan, PR 00908
Telephone: (787) 977-0303
Facsimile: (787) 977-0323

s/ Sandy Qusba

Sandy Qusba*
Nicholas Baker*
Edward R. Linden*
SIMPSON THACHER & BARTLETT LLP
425 Lexington Avenue
New York, New York 10017-3954
Telephone: (212) 455-2000
Facsimile: (212) 455-2502
Email: squsba@stblaw.com
nbaker@stblaw.com
edward.linden@stblaw.com

*admitted *pro hac vice* in No. 17-04780-LTS

*Attorneys for Solus Alternative Asset
Management LP*

CERTIFICATE OF SERVICE

I hereby certify that, on this same date, I electronically filed the foregoing with the Clerk of the Court using the CM/ECF system, which will send notifications of such filing to all CM/ECF participants in this case.

s/ Jose L. Ramirez-Coll
Jose L. Ramirez-Coll
USDC-PR No. 221702
jramirez@amrclaw.com
ANTONETTI MONTALVO & RAMIREZ COLL
P.O. Box 13128
San Juan, PR 00908
Telephone: (787) 977-0303
Facsimile: (787) 977-0323